

**State of Alaska  
Department of Natural Resources  
State Pipeline Coordinator's Office  
411 West 4<sup>th</sup> Avenue, Suite 2C  
Anchorage, Alaska 99501**

**Proposed Commissioner's Statement of Reasons and Written Determination  
Kuparuk Extension Pipeline Right-of-Way Lease Renewal  
ADL 409027**

**11 AAC 80.075**

**PROPOSED ACTION:**

The State of Alaska, Department of Natural Resources proposes to renew the Kuparuk Extension Pipeline Right-of-Way Lease for a term of 30 years.

**INTRODUCTION:**

On April 18, 1983, the State of Alaska, executed the Kuparuk Extension Pipeline Right-of-Way Lease (Lease) authorizing the construction and operation of the Kuparuk Extension Pipeline System across state land. The Kuparuk Extension Pipeline currently crosses 8.2 miles of state land between Central Production Facility 2 at Kuparuk River Unit (KRU) to Central Production Facility 1 at KRU, Alaska. The Lease, issued under the authority of AS 38.35.010 - 260 (the "Right-of-Way Leasing Act"), provides a right of renewal, in accordance with the requirements of AS 38.35.110. The Lease will expire on May 2, 2004, if not renewed or in the process of renewal by that date.

The procedures for renewal of an AS 38.35 pipeline right-of-way (ROW) lease are set out in 11 AAC 80.065 - 085. On February 11, 2002, the Kuparuk Transportation Company (Lessee) submitted an application for renewal of the Lease, thus providing the minimum two years for processing required by 11 AAC 80.065. The State Pipeline Coordinator's Office (SPCO) published the required public notices of the application on February 27 and 28, 2002, and has undertaken the in-depth review of Lessee's compliance with state laws, regulations, and terms of the lease required for approval of lease renewal under AS 38.35.110.

**RENEWAL REQUIREMENTS:**

AS 38.35.110 provides that the Lease shall be renewable provided the Lessee (1) is in commercial operation; (2) is in full compliance with all state law; and (3) is in compliance with all terms of the lease. In addressing the three renewal requirements the State Pipeline Coordinators Report: (1) identifies documentation that establishes the continuing commercial operations of the Lessee; (2) provides a report from each state administrative agency identifying statutes or regulations of the agency that apply to the Lessee, and providing a determination by each regulating agency regarding the Lessee's compliance with their respective regulations; and (3) provides a detailed outline and analysis of the State Pipeline Coordinator's review of the Lessee's compliance with the lease.

My determination on renewal of this ROW lease is based on the administrative record, ADL 409027; information from the Lessee, as required; the State Pipeline Coordinator's Report issued July 12, 2002; and the independent analyses and reviews presented to me in the State Pipeline Coordinator's Report.

**FINDING:** Based upon the administrative record, ADL 409027, information from the Lessees and the independent analyses and reviews presented to me in addition to the State Pipeline Coordinator's Report, its attachments and appendices and the documentation cited therein:

(1) I find that the Lessee is in commercial operation, as required for renewal of the Lease under AS 38.35.110.

(2) I find that the Lessee is in full compliance with all state laws, as required for renewal of the Lease under AS 38.35.110 based on the written reports prepared by each state administrative agency for the Kuparuk Extension Pipeline ROW Lease renewal.

(3) I find that the Lessee is in compliance with all terms of the Lease, as required for renewal of the Kuparuk Extension Pipeline ROW Lease under AS 38.35.110.

**TERM OF RENEWAL:**

AS 38.35.110 was amended by the legislature, effective July 1, 2001, extending the maximum term applicable to a right-of-way lease renewal from 10 to 30 years. The Lessee's application for Lease renewal requests a 30-year renewal term. The SPCO has considered the nature of the pipeline, namely that it is of short length (8.2 miles), is entirely above ground, has only one valve, and has no ancillary or support facilities directly associated with its operation, or within the right-of-way. The SPCO has reviewed the surveillance, monitoring, and maintenance programs and standards the lessee has adopted and implemented for safety, environmental protection, and pipeline integrity. The SPCO review also included the notification and corrective action procedures the lessee has in place, as well their audit and oversight programs. The review also included the surveillance and oversight programs that the SPCO has in place for monitoring compliance with the terms of the lease. The SPCO finds these programs are effective to assure that operation and maintenance of the Kuparuk Extension Pipeline in accordance with the enforceable requirements of the lease will result in a useful life in excess of the 30 years applied for by the Lessee.

**FINDING:** Based upon the SPCO review of the nature of the operation of the pipeline, the plans and programs the Lessee has in place for safe operations, surveillance and maintenance, SPCO oversight programs, and the SPCO's determination that the useful life of the Kuparuk Extension Pipeline is in excess of the 30-year renewal term requested in the renewal application and the

administrative record, I find that the lease should be renewed for a term of 30 years, as requested in the application.

**DETERMINATION:**

Based on the findings stated above, the administrative record, information from the Lessee and the independent analyses and reviews presented to me in addition to the State Pipeline Coordinator's Report, its attachments and appendices and the documentation cited therein, it is my determination that the requirements of AS 38.35.110 for renewal of the Lease have been met, that the useful life of the Kuparuk Extension Pipeline exceeds the applied for 30 year term of renewal, and that the Lease shall therefore be renewed for a period of 30 years.

In conformance with 11 AAC 80.085, I direct that the following actions to be taken:

1. Provide a copy of my determination to the Lessee and its agent.
2. Make copies of the written determination and the Lease available to the public for viewing.
3. Provide copies of the written determination, upon request, to the public at cost.
4. Solicit written comments from the public for a minimum of 30 days ending on August 22, 2002 at 5:00 p.m., and schedule public hearings in the community of Barrow, Alaska.

Any comment, objection or expression of interest pertaining to the proposed actions must be received in writing by the State Pipeline Coordinator's Office at the above address on or before 5:00 p.m., August 22, 2002, to ensure consideration. If I revise the proposed written determination following closure of the public comment period on August 22, 2002, the revised written determination will be published consistent with AS 38.35.070. My written determination, or if revised, the revised written determination, is the final administrative decision 30 days after the end of the public comment period unless, in writing, I extend that 30 day period for a specified period of not more than 90 additional days to allow for full consideration of the comments received. If the department requires additional time to consider public comments, notice of this action would be published on or about September 19, 2002.

---

Pat Pourchot, Commissioner  
Alaska Department of Natural Resources

---

Date